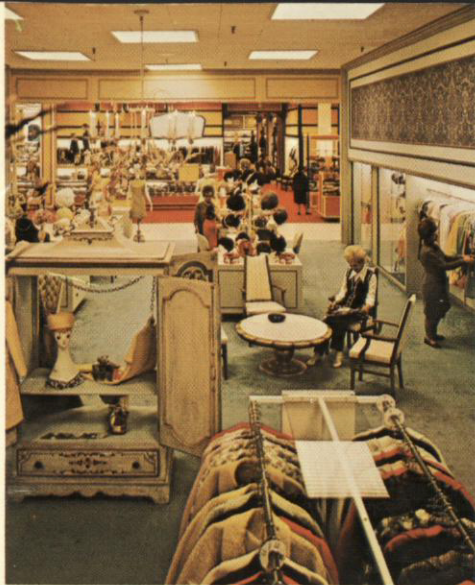




*CityStores
Company*

ANNUAL REPORT 1969



This year's Annual Report gives tangible expression of the new spirit and forward look of the Company and its various store units as we enter the challenging Seventies.

We, therefore, proudly present as the central theme of the Report our Maison Blanche store now over 60 years old and dominating the department store scene in enchanting New Orleans. This is our most prestigious and profitable department store operation.

The front cover presents a montage of some of the excitement, new and old, of Maison Blanche and New Orleans. The center picture shows this year's Mardi Gras as the King of Carnival passed our store. The other photographs portray departments in Maison Blanche's imposing downtown store and the sparkling new Clearview and expanded West Side stores—in addition to scenic views of New Orleans' world famous French Quarter.

The inside cover page illustrates the beautiful and unusual three-story rotunda in the center of the new Clearview suburban store.

Highlights

	52 Weeks Ended	
	January 31, 1970	February 1, 1969
OPERATIONS		
Sales	\$380,384,000	\$373,742,000
Income before items shown below	6,567,000	7,504,000
Federal income taxes	3,000,000	3,835,000
Income before extraordinary item	3,567,000	3,669,000
Extraordinary item, net of taxes	852,000	—
Net income	2,715,000	3,669,000
Per share of common stock:		
Income before extraordinary item	1.14	1.23
Extraordinary item, net of taxes	.28	—
Net income	.86	1.23
DIVIDENDS PER SHARE	.40	.10
FINANCIAL		
Working capital		
City Stores Company and Retail Subsidiaries	58,183,000	66,698,000
Current ratio	2.3	2.4
City Stores Company and Consolidated Subsidiaries	57,493,000	66,148,000
Current ratio	2.2	2.3
Accounts receivable—customer	79,793,000	79,790,000
Proceeds from financing of receivables	39,657,000	27,539,000
Inventories	47,408,000	47,154,000
Property and equipment—net		
City Stores Company and Retail Subsidiaries	42,030,000	37,729,000
City Stores Company and Consolidated Subsidiaries	60,105,000	58,990,000
Long term debt, other than mortgages not assumed		
City Stores Company and Retail Subsidiaries	26,133,000	26,347,000
City Stores Company and Consolidated Subsidiaries	38,129,000	42,089,000
Ownership		
Common stock equity	83,335,000	79,099,000
Common stock equity per share	25.54	26.33
Number of shares outstanding		
Common stock—at end of year	3,263,469	3,004,413

Italics denote negative figures.

To Our Stockholders:

Sales for the fiscal year ended January 31, 1970 reached the record level of \$380,000,000, an increase of \$7,000,000 and 2% over the sales of \$373,000,000 recorded in the prior fiscal year ended February 1, 1969. This year's figures include the sales volume of the Kaufman-Straus and Wolf & Dessauer operations only until November 30, 1969, while last year's figures include their sales for a full year. As has been reported previously, the Company sold, on November 30, 1969, the business and certain operating assets of its Kaufman-Straus subsidiary in Louisville, Kentucky and its Wolf & Dessauer division in Fort Wayne, Indiana.

Operating profits before taxes for the past year were \$6,567,000 compared to the prior year of \$7,504,000. Excluding Kaufman-Straus and Wolf & Dessauer for both years, operating profits in 1969 were \$7,149,000 compared to \$7,306,000 in 1968. After-tax profits, before a special charge resulting from the sale of Kaufman-Straus and Wolf & Dessauer, were \$3,567,000 for the past fiscal year compared to \$3,669,000 for the year before and were \$1.14 per share based on an average of 3,141,953 shares and \$1.23 computed on 2,976,933 average shares for the respective years. The sale of Kaufman-Straus and Wolf & Dessauer resulted in a one-time special charge, net of taxes, of \$852,000 reducing income to \$2,715,000 and 86 cents per share.

Operating results were adversely affected by an increase in interest expense of \$555,000 and by a continuing rise in inventory shortages. The loss of merchandise through theft is at an all-time high, both for ourselves and the retail industry and presents a major obstacle to improved profitability. Operating expenses also continue to rise with the inflationary pressures.

The sale of the businesses and assets of Kaufman-Straus and Wolf & Dessauer will make available approximately \$9,000,000 in assets, will eliminate operating losses which totaled \$582,000 before taxes in 1969 and will reduce our interest expenses by \$750,000. In

addition, we faced substantially higher expenditures in both divisions to keep them competitive in their markets. The sale will enable us to concentrate our investments in the existing divisions where we see greater profit opportunities and also to look for new operations with greater potential for the future.

On December 23, 1969, stockholders approved the acquisition by City Stores Company of the 16% minority interest in our W. & J. Sloane subsidiary in exchange for 239,306 shares of the Company's common stock. Sloane's is one of our more profitable units and one for which far-reaching plans have been prepared. We believe that, in the future, the acquisition of the Sloane minority interest will result in a substantial improvement of our per share earnings.

We opened more new retail space in the past year than in any year in the Company's history. As part of the program to add over 2,500,000 square feet of space between 1969 and 1972—a 25% increase in the Company's selling area—we opened 700,000 square feet in 1969. This included four new department stores, the major expansion of a fifth, four new Franklin Simon stores, two W. & J. Sloane stores and five Furniture Clearance Centers operated by Sloane's. Capital expenditures for these additions and for normal remodeling and renovation programs during the past year exceeded \$12,100,000.

For 1970, the Company has under construction and will open an additional 700,000 square feet of space, including four department store branches, four Franklin Simon and five Sloane stores. Comparable additions are planned in 1971 and 1972, by which time the Company should have restored its competitive position in its major trading areas.

We wish to note several important personnel changes: Robert I. Lauter, formerly senior vice president of Macy's New York, has joined us as president of W. & J. Sloane's East Coast division, and Clifford D. Hoehne, formerly president of Kaufman-Straus, has moved to B. Lowenstein's as its president. Our Franklin Simon division has substantially strengthened its organization. Stanley I. Stern is the new Franklin Simon vice president and general merchandise manager, Robert M. Wessel is administrative vice president and Arnold Cooper has become vice president for store operations. We continue to search for vigorous management personnel.

The past year has been one of both consolidation and expansion so as to maximize our future return on investment. While the climate for doing business in the coming year is clouded by anti-inflation efforts and consumer uncertainty, we believe that our Company is in a better position to obtain its share of its markets than ever before.

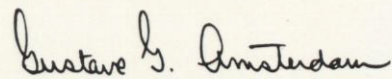
For the future we see a changing nature of retail trends. While the Sixties reflected the go-go beat of the mod teen and post-teen buyers, the consumer of the Seventies will have moved into a new generation. In the next 12 years, the total population will grow by 13 per cent. But adults under 35 will become almost half again more numerous. At the same time, those between 20 and 24 will level off and the teen-age population will show little or no growth. This means that retailing must appeal to a more mature, more settled customer than during the past decade.

In addition, we anticipate that the demand for housing will accelerate during the Seventies. While new housing starts have averaged a modest 1.5 million a year, that figure should grow to 2.5 million by 1980. This will mean more than 50 million homeowners in that year, or some 11 million more than in the last of the Sixties. This trend should have a marked and favorable influence on our homefurnishings sales.

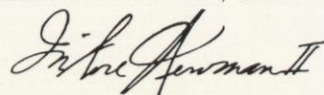
Equally as important is our intention to expand further into specialty areas, beyond our Franklin Simon and W. & J. Sloane operations. Although we believe department store sales will continue to grow during the Seventies, other retail areas should grow even faster. Industry trends point to rapid growth in numerous, diverse specialty fields and entrance into these new markets are under study.

We wish to express our deep appreciation to our customers, employees and suppliers without whose cooperation we could not exist.

Cordially,



Gustave G. Amsterdam, Chairman



Isidore Newman, II, President

April 14, 1970

Richards

LOVE MAN'S FRANKLIN & SIMON

maison blanche

Klines



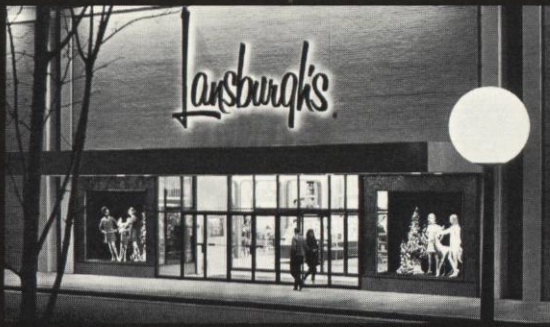
LIT BROTHERS

Lowenstein's

Lansburgh's

Hearn's

R.H. WHITE'S



Lansburgh's

LOVEMAN'S
LIT BROTHERS

Review of the Year

Sales and Income

Sales in fiscal 1969 again were at a record level, totaling \$380,400,000 compared with \$373,700,000 in fiscal 1968. This was the ninth year in a row that sales reached new highs.

Operating income before federal income taxes and an extraordinary charge was \$6,567,000 compared to \$7,504,000 in the prior year. Income before the extraordinary item was \$3,567,000 or \$1.14 per share. In 1968, net income was \$3,669,000 or \$1.23 per share. In addition, in 1969 an extraordinary charge of \$852,000 net of federal income taxes, arising from the disposition of Kaufman-Straus and Wolf & Dessauer, reduced net income to \$2,715,000 or \$.86 per share.

Working Capital and Application of Funds Statement

For the past fiscal year, working capital decreased by \$8,700,000 from \$66,200,000 to \$57,500,000, reflecting increased capital expenditures, debt retirement and the effect of the disposition of certain assets of the Wolf & Dessauer and Kaufman-Straus Divisions and the conversion of such assets into long term notes receivable. The working capital ratio for the current year and prior year remains substantially the same.

Capital expenditures for property and equipment totaled \$12,100,000 last year and are budgeted at approximately \$10,000,000 for the current year.

The sources of working capital and their application were as follows:

SOURCE OF FUNDS:

From operations:	
Net income	\$ 2,715,000
Depreciation and amortization	5,429,000
Pension reserve and other non cash items	888,000
	<u>9,032,000</u>

Proceeds from sale of property and equipment of two stores	5,583,000
--	-----------

Proceeds from stock options exercised	224,000
---	---------

Decrease in working capital	8,654,000
	<u>\$23,493,000</u>

APPLICATION OF FUNDS:

Additions to property and equipment — net . .	\$12,127,000
---	--------------

Notes receivable arising from the disposition of two stores	4,555,000
---	-----------

Decrease in long term debt and mortgages not assumed — net	4,377,000
--	-----------

Cash dividends paid	1,233,000
-------------------------------	-----------

Increase in investment and advances to City Stores Credit Corporation (not consolidated)	1,000,000
--	-----------

Other — net	201,000
	<u>\$23,493,000</u>

Ownership and Dividends

Book value per share of common stock decreased from \$26.32 as at February 1, 1969 to \$25.54 at January 31, 1970. At the close of 1968, there were outstanding 3,004,413 shares of common stock and 3,263,469 were outstanding at the close of 1969, reflecting the exercise of 19,750 shares under stock option agreements

and the issuance of 239,306 shares in exchange for the W. & J. Sloane 16% minority interest.

A regular quarterly dividend of 10¢ per share was paid respectively on May 2, 1969; July 31, 1969; October 31, 1969 and January 30, 1970.

Financing Arrangements

The Company's long-term debt was reduced by \$4,400,000, primarily by the elimination of mortgage debt on the disposition of the Wolf & Dessauer main store. No sinking fund payments are required under the \$25,000,000 debenture agreement with Prudential Insurance Company until 1971.

Bank lines extended to both City Stores Credit Corporation and City Stores Company totaled \$76,500,000 at year-end.

Total interest cost for both long-term and short-term debt was \$4,900,000, up \$555,000 from 1968, resulting largely from higher interest rates.

Receivables and Inventory

Customers accounts receivable amounted to approximately \$79,800,000 at year end, the same as last year. Receivables financed through City Stores Credit Corporation amounted to \$39,657,000 compared with \$27,539,000 last year. Collections during the year continued at a satisfactory level.

Inventories net of LIFO reserve were \$47,408,000 compared to \$47,154,000. LIFO reserve was approximately \$7,200,000 at the close of each year.

Our important Lit, Lansburgh & Loveman department stores are shown on the opposite page through scenes of newly opened units — Lit-Reading, Lansburgh-Tyson's Corner and Loveman-Western Hills Mall — and through scenes of fashion shows.



FRANKLIN  SIMON

THE EXPANSION PROGRAM

The planning of the past years for the strengthening of our position in our trading areas both through new stores and expansion of existing stores has begun to bear fruit. We now have a strong forward thrust in our efforts to be competitive and to further develop our business as we enter the 1970's.

LIT'S opened a 150,000 square foot store in February, 1970 in Berkshire Mall, Reading, Pennsylvania and started construction on its 170,000 square foot store in the Echelon Shopping Center in southeast New Jersey, which will open this Fall. Lit's also has completed plans for the expansion of its 100,000 square foot store in Lawrence Park by 50,000 square feet and will have it under construction this Summer. A lease is also being finalized for a 150,000 square foot Lit store in the Cheltenham Shopping Center in Philadelphia, which is planned for the Fall of 1971. A fire in the Plymouth Meeting Mall, in January 1970, destroyed a large portion of the adjoining mall and will result in significant loss in business by our Lit store until the mall is restored this Fall.

MAISON BLANCHE opened, in August, 1969, its largest suburban unit—a 150,000 square foot store in the Clearview Shopping Center, New Orleans, and completed the addition of 90,000 square feet to its 60,000 square foot Westside store. Plans for a new 150,000 square foot warehouse for Maison Blanche also are ready and construction will begin shortly.

A 130,000 square foot store for RICHARD'S is under construction in the Midway Mall, in West Miami, for opening this Fall, and construction has begun on a 60,000 square foot addition to Richard's 163rd Street store and an adjoining parking facility for 500 cars. The 80,000 square foot addition to the Richard's Palm Springs store will result in doubling the size of that store and the center in which it is located will be substantially expanded. Richard's also has finalized a lease for a 140,000 square foot store in the Hollywood Mall in Hollywood, Florida, a major regional center which will contain four department stores. The program of expansion of the Richard's division has proved highly successful.

LANSBURGH'S opened, in October, 1969, a 155,000 square foot store in the highly successful Tyson's Corner Shopping Center outside of Washington, D. C.; has under construction a 150,000 square foot store in Rockville, Maryland, scheduled to open in the Fall of 1971 and has under negotiation a third new store planned for 1972. These new units are the result of our long efforts to revitalize the position of Lansburgh's in the greater Washington area.

In October, 1969, LOVEMAN'S closed its old small store in downtown Bessemer, Alabama and replaced it with a bright, modern 40,000 square foot fashion store in the Westlake Shopping Center in Bessemer. On March 11, 1970, Loveman's opened its first full-line branch in the Birmingham area — a 115,000 square foot store in the Western Hills Mall. Construction will begin this Spring on a 450-car garage adjoining the Loveman downtown store and plans are also being completed for a Loveman's 140,000 square foot branch in a regional

shopping center on the east side of Birmingham. The growth of this division by these additional stores should assure Loveman's continued strong acceptance as the leading department store in its area.

LOWENSTEIN'S this year remodeled the first floor of its largest branch on the east side of Memphis and has negotiated an agreement for a 60,000 square foot store in Raleigh Springs Mall, north of Memphis.

FRANKLIN SIMON continued its program of adding stores in its existing trading areas, opening new stores in Stamford, Connecticut, Wayne, New Jersey, Nanuet, New York and its second store in Memphis, Tennessee and its fourth store in Atlanta, Georgia. With the exception of the Stamford store, all the stores are in major regional shopping centers. Franklin Simon now operates 58 stores in the eastern half of the country and will open two more within the year. The fire which damaged the Plymouth Meeting Mall, Pennsylvania, destroyed the Franklin Simon store which is presently being rebuilt to open later this year.

W. & J. SLOANE replaced its small Garden City, New York store with a much larger unit and opened new units in Northgate Mall, Marin County, California in January, 1970 and Atlanta, Georgia in March, 1970. Sloane's has

Several of our 60 Franklin Simon specialty stores and 35 W. & J. Sloane home furnishing stores are shown in pictures on the opposite page — Franklin Simon highlights two branch store entrances and windows and fashion models of its exciting "Design America" show. W. & J. Sloane presents two of its decorative furniture scenes in its main store on Fifth Avenue, New York City.

also added four Furniture Clearance Centers, primarily in the New York metropolitan area and will shortly open two others, one in Philadelphia and the other in Washington, D. C. The Furniture Clearance Centers are a unique blend of clearance stores for regular Sloane merchandise and discount centers for specially purchased and imported goods. The Furniture Clearance Centers are a rapidly growing and highly profitable part of the Sloane business. Under construction for opening late this year are new Sloane stores in Stamford, Connecticut and Houston, Texas. The existing Jenkintown, Pennsylvania store, along with the new Atlanta and Houston stores, are the first step in the program to make W. & J. Sloane into a national quality furniture operation.

In addition to the new stores, the Company has continued its program of renovation and modernization of the existing properties to keep them new and attractive for our customers.

ACQUISITIONS AND DISPOSITIONS

Kaufman-Straus and Wolf & Dessauer

On November 30, 1969, the Company sold to L. S. Ayres & Co. of Indianapolis, Indiana, the inventory, fixed assets and

certain other operating assets of its Kaufman-Straus subsidiary in Louisville, Kentucky and its Wolf & Dessauer division in Fort Wayne, Indiana. The balance of the assets not sold were principally customer accounts receivable which are being liquidated by normal payments. Ayres also assumed the operating liabilities of the two divisions, accepted the assignment of the leases for operating properties and acquired the ownership of Wolf & Dessauer's main store. In return, the Company received Ayres' 8 1/2% interest-bearing notes aggregating \$4,555,000 due December 1, 1970 and \$1,000,000 in cash, subject to the replacement of said notes with notes payable over three years. After providing for tax credits, the net loss on the sale of the assets was \$852,000.

Through the date of the sale, the two divisions had total sales of \$22,500,000 and an operating loss of \$582,000 before taxes.

The proceeds of this transaction will be used to reduce short-term debt and to provide funds for capital expenditures in other divisions.

W. & J. Sloane

Pursuant to an agreement of July 30, 1969 and approval by stockholders at a special meeting held on December 23, 1969, the Company purchased the 16% minority stock interest in its W. & J. Sloane subsidiary held by Leonard J. Novogrod, president of Sloane's and an officer and director of the Company, and Harold R. Weinberg, vice president and

treasurer of Sloane's. The Company issued 239,306 shares of common stock in return for the 1600 shares of Sloane stock and now owns 100% of the stock of this subsidiary. The City Stores stock issued has certain restrictions as to when it may be sold. The excess of the fair market value of the City Stores stock issued over the book value of the minority interest acquired amounted to \$450,000, which is included as an intangible asset in the financial statements.

DATA PROCESSING

The conversion of the Maison Blanche Computer Center to the NCR 315 was completed during the year and the changeover of the Lowenstein accounts receivable to this computer is now in process. When the conversion is completed, all the accounts receivable of the major divisions, with the exception of W. & J. Sloane's, will be on either the Maison Blanche or Lit computers. Both Lit's and Maison Blanche are in the process of installing sophisticated merchandise control systems on their computers and great effort is being devoted to the development of merchandise classification controls.



Klines

Statement of Income

	52 Weeks Ended	
	January 31, 1970	February 1, 1969
Sales (including leased departments)	\$380,384,259	\$373,742,333
Deduct		
Cost of goods sold and operating expenses less carrying charges	363,677,760	356,746,034
Depreciation and amortization	5,429,465	5,232,687
Interest and debt expense	4,900,061	4,344,774
	374,007,286	366,323,495
	6,376,973	7,418,838
Other income—net	282,883	351,452
Minority interest (deduction)—Note B	93,032	265,897
Income before items shown below	6,566,824	7,504,393
Federal income taxes—Note C		
Current	2,551,000	2,318,000
Deferred	449,000	1,517,000
	3,000,000	3,835,000
Income before extraordinary item	3,566,824	3,669,393
Extraordinary item, net of applicable federal income taxes (deduction)—Note D	851,604	—
Net income	\$ 2,715,220	\$ 3,669,393
Per share of common stock*:		
Income before extraordinary item	\$1.14	\$1.23
Extraordinary item, net of applicable federal income taxes (deduction)	.28	—
Net income	\$.86	\$1.23

*Based upon weighted average number of shares outstanding.

Statement of Income Reinvested in Business

Balance at beginning of year	\$ 43,619,636	\$ 40,250,694
Net income	2,715,220	3,669,393
	46,334,856	43,920,087
Dividends, \$.40 and \$.10 per share, respectively	1,232,784	300,451
Balance at end of year—Note H	\$ 45,102,072	\$ 43,619,636

See notes to financial statements.

Statement of Financial Condition

	January 31, 1970	February 1, 1969
Assets		
CURRENT ASSETS		
Cash	\$ 9,603,050	\$ 7,576,686
Accounts receivable—Note E	43,109,755	56,741,498
Merchandise inventories—Note F	47,408,225	47,153,906
Supplies and prepaid expenses	4,170,568	4,440,394
TOTAL CURRENT ASSETS	104,291,598	115,912,484
INVESTMENTS AND OTHER ASSETS		
Investments and advances—Note A		
City Stores Credit Corporation	6,026,526	5,026,369*
Real estate subsidiaries	5,312,877	4,902,194*
Notes receivable—Note D	4,555,014	—
Sundry investments and other items—Note B	1,993,342	1,405,745
	<u>17,887,759</u>	<u>11,334,308</u>
PROPERTY AND EQUIPMENT—AT COST—Note G	78,464,265	75,527,300
Less accumulated depreciation and amortization	36,434,075	37,797,980
	<u>42,030,190</u>	<u>37,729,320</u>
	<u>\$164,209,547</u>	<u>\$164,976,112</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable, accrued and sundry liabilities	\$ 33,831,217	\$ 34,301,378
Current portion of long term debt and mortgages not assumed	630,634	2,954,712
Federal income taxes—current—Note C	9,656	722,522*
Deferred tax credits, principally applicable to installment sales—Note C	11,636,959	11,235,646
TOTAL CURRENT LIABILITIES	46,108,466	49,214,258
LONG TERM DEBT, other than mortgages not assumed—Note H	26,133,000	26,347,000
RESERVES—Note I	5,314,259	4,426,045
DEFERRED TAX CREDITS—Note C	1,357,456	1,499,815
MORTGAGES NOT ASSUMED—Note G	1,497,280	1,913,912
DEFERRED CREDIT	464,077	489,894
MINORITY INTEREST—Note B	—	1,986,296
OWNERSHIP—Notes B and H		
Common Stock—\$5 par value—Authorized		
6,000,000 shares; outstanding 3,263,469 shares in 1970		
(after deducting 12,423 shares in treasury)	16,317,345	15,022,065
Other capital	21,915,592	20,457,191
Income reinvested in business	45,102,072	43,619,636
	<u>83,335,009</u>	<u>79,098,892</u>
	<u>\$164,209,547</u>	<u>\$164,976,112</u>

*As reclassified.

See notes to financial statements.

Statement of Financial Condition

	January 31, 1970	February 1, 1969
Assets		
CURRENT ASSETS		
Cash	\$ 9,759,529	\$ 7,688,821
Accounts receivable—Note E	43,266,116	57,292,428
Merchandise inventories—Note F	47,408,225	47,153,906
Supplies and prepaid expenses	4,195,148	4,482,315
TOTAL CURRENT ASSETS	104,629,018	116,617,470
INVESTMENTS AND OTHER ASSETS		
Investments and advances—City Stores Credit Corporation—Note A	6,026,526	5,026,369*
Notes receivable—Note D	4,555,014	—
Sundry investments and other items—Note B	2,131,097	1,537,494
	<u>12,712,637</u>	<u>6,563,863</u>
PROPERTY AND EQUIPMENT—AT COST—Note G	106,014,757	106,866,399
Less accumulated depreciation and amortization	45,909,502	47,876,581
	<u>60,105,255</u>	<u>58,989,818</u>
	<u>\$177,446,910</u>	<u>\$182,171,151</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable, accrued and sundry liabilities	\$ 34,022,585	\$ 34,533,383
Current portion of long term debt and mortgages not assumed	1,466,858	3,978,191
Federal income taxes—current—Note C	9,656	722,522*
Deferred tax credits, principally applicable to installment sales—Note C	11,636,959	11,235,646
TOTAL CURRENT LIABILITIES	47,136,058	50,469,742
LONG TERM DEBT, other than mortgages not assumed—Note H		
Parent company	26,133,000	26,347,000
Real estate subsidiaries	11,995,741	15,741,658
	<u>38,128,741</u>	<u>42,088,658</u>
RESERVES—Note I	5,314,259	4,426,045
DEFERRED TAX CREDITS—Note C	1,570,936	1,690,412
MORTGAGES NOT ASSUMED—Note G	1,497,280	1,913,912
DEFERRED CREDIT	464,627	497,194
MINORITY INTEREST—Note B	—	1,986,296
OWNERSHIP—Notes B and H		
Common Stock—\$5 par value—Authorized 6,000,000 shares; outstanding 3,263,469 shares in 1970 (after deducting 12,423 shares in treasury)	16,317,345	15,022,065
Other capital	21,915,592	20,457,191
Income reinvested in business	45,102,072	43,619,636
	<u>83,335,009</u>	<u>79,098,892</u>
	<u>\$177,446,910</u>	<u>\$182,171,151</u>

*As reclassified.

See notes to financial statements.

Statement of Financial Condition—Note A

	January 31, 1970	February 1, 1969
Assets		
Cash	\$ 50,796	\$ 40,926
Customer receivables—assigned by City Stores Company and subsidiaries	44,062,919	30,598,991
Accrued interest receivable	48,081	36,893
	<u>\$44,161,796</u>	<u>\$30,676,810</u>
Liabilities		
Notes payable to banks	\$33,500,000	\$22,500,000
Accrued expenses	180,897	53,649
Due to City Stores Company	682,770	169,453**
Amount (reserve) withheld pending collection of customer receivables	4,406,292	3,059,899
Ownership		
Common Stock—\$1,000 par value—Authorized 5,000 shares; Outstanding 3,750 shares	3,750,000	3,750,000
Income reinvested in business	<u>1,641,837</u>	<u>1,143,809</u>
	5,391,837	4,893,809
Total subordinated debt, amount (reserve) withheld pending collection of customer receivables and ownership, * \$9,798,129 and \$7,953,708, respectively	<u>\$44,161,796</u>	<u>\$30,676,810</u>

*In accordance with an agreement between City Stores Company and the lending banks, the notes payable to banks may be four times the sum of: (a) Subordinated debt, (b) Amount (reserve) withheld pending collection of customer receivables and (c) Ownership.

**As reclassified.

Statement of Income—Note A

	52 Weeks Ended	
	January 31, 1970	February 1, 1969
Interest income—from City Stores Company and subsidiaries	\$ 3,131,913	\$ 2,731,425
Interest expense	2,086,214	1,820,629
Other expenses	9,671	5,406
	<u>2,095,885</u>	<u>1,826,035</u>
Income before federal income taxes	1,036,028	905,390
Federal income taxes—Note C	538,000	471,500
Net income	<u>\$ 498,028</u>	<u>\$ 433,890</u>

Statement of Income Reinvested in Business—Note A

Balance at beginning of year	\$ 1,143,809	\$ 709,919
Net income	<u>498,028</u>	<u>433,890</u>
Balance at end of year	<u>\$ 1,641,837</u>	<u>\$ 1,143,809</u>

See notes to financial statements.

Combined Summary of Net Assets—Note A

	January 31, 1970	February 1, 1969
Land, buildings, leaseholds and equipment, at cost, less depreciation	\$18,075,065	\$21,260,498
Mortgages payable—current portions \$836,224 and \$1,023,479 respectively	12,831,965	16,765,137
	5,243,100	4,495,361
Other assets, net of other liabilities	69,777	406,833*
Net assets consisting of intercompany accounts and ownership	<u>\$ 5,312,877</u>	<u>\$ 4,902,194*</u>

*As reclassified.

See notes to financial statements.

Notes to Financial Statements**A — PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated statement of financial condition of City Stores Company and consolidated subsidiaries on Page 11 includes all subsidiaries other than City Stores Credit Corporation. The consolidated statement of financial condition of City Stores Company and Retail Subsidiaries on Page 10 includes all subsidiaries other than real estate subsidiaries and City Stores Credit Corporation. The investment in the credit company in the first instance and in both the credit company and the real estate subsidiaries in the second instance are carried in the respective consolidated statements of financial condition at amounts equal to the net assets of such subsidiaries. The accounts of City Stores Credit Corporation and all active real estate subsidiaries are included in the consolidated statement of income. Financial statements of the credit company and a summary of the net assets of the real estate subsidiaries are set forth on Pages 12 and 13.

B — OWNERSHIP AND STOCK OPTIONS

As at July 30, 1969, the Company acquired the outstanding minority interest (16%) of W & J Sloane, Inc. in exchange for 239,306 shares of the Company's common stock. The issuance of the shares resulted in a credit to capital stock of \$1,196,530 and a credit to other capital of \$1,332,848. The excess (\$450,050) of the fair market value of the shares issued over the book amount of the minority interest acquired has been recorded in consolidation as an intangible asset and is included in sundry investments and other items in the accompanying statement of financial condition. The Company is not amortizing this intangible because there is no diminution of value.

The Company's Stock Option Plan, as amended in 1964, and the new Stock Option Plan, which was approved during the year by the stockholders, make available for granting to selected key executives, options to purchase 125,000 shares and 100,000 shares, respectively, of the Company's common stock at the market price at date of grant.

During the year, options to purchase 19,500 shares were granted, options for 3,700 shares were cancelled, options for 700 shares expired and options for 19,750 shares were exercised at prices ranging from \$8.50 to \$15.75 per share. Of the proceeds, \$98,750 was credited to capital stock and \$125,553 was credited to other capital. At January 31, 1970 there were options outstanding to purchase 64,300 shares at prices ranging from \$8.43 to \$22.25 per share and options to purchase 94,400 shares were available for future grant.

C — FEDERAL INCOME TAXES

The Company and its subsidiaries file consolidated federal income tax returns; subsidiaries are charged an amount equal to the tax each would have paid on a separate return basis.

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes on the basis of cash collections and deducts greater amounts of depreciation for tax purposes than are recorded for financial accounting purposes. Accumulated tax effects resulting from following these practices, which effects are shown in the statements of financial condition as deferred tax credits, are not liabilities and in the normal course of business may never be paid because the Company believes that at its present rate of growth similar tax deferrals will arise in the future which will be at least equal to the reversing tax deferrals of prior periods.

The provisions for Federal income taxes for the years ended January 31, 1970 and February 1, 1969 have been reduced by investment credits of approximately \$390,000 and \$245,000, respectively.

D — EXTRAORDINARY ITEM

On November 30, 1969, the Company sold the operating assets, exclusive of cash and receivables, of its Kaufman-Straus and Wolf & Dessauer department store divisions to L. S. Ayres & Co. The sale was made for cash, notes aggregating \$4,555,014 bearing interest at 8½% from March 1, 1970 and due December 1, 1970 and the assumption of certain liabilities. The purchaser has the right to replace such notes with notes subordinate to insurance company debt payable in three annual instalments. Such sale resulted in a loss to the Company of \$1,801,604 which, net of applicable federal income tax benefit of \$950,000, is shown on the statement of income as an extraordinary item.

E — ACCOUNTS RECEIVABLE

The Company has an agreement with City Stores Credit Corporation under which accounts receivable are assigned to the credit company, and the credit company remits amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreement, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable customers and others	\$84,930,311	\$86,808,758
Less		
Accounts receivable assigned to City Stores Credit Corporation net of equity of \$4,406,292 and \$3,059,899, respectively	39,656,627	27,539,092
Allowances for doubtful accounts	2,163,929	2,528,168
	41,820,556	30,067,260
City Stores Company and Retail Subsidiaries	43,109,755	56,741,498
Real Estate Subsidiaries—other receivables	156,361	550,930
City Stores Company and Consolidated Subsidiaries	<u>\$43,266,116</u>	<u>\$57,292,428</u>

F — MERCHANDISE INVENTORIES (determined principally under retail method)

Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately \$7,200,000 more in each year if they had been priced at the lower of cost or market.

	This Year	Last Year
At LIFO cost	\$29,577,176	\$30,891,991
Less allowance for discounts	723,822	759,324
	28,853,354	30,132,667
At lower of cost or market	18,554,871	17,021,239
	<u>\$47,408,225</u>	<u>\$47,153,906</u>

Accountants' Report

G — PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	City Stores Company and Retail Subsidiaries	City Stores Company and Consolidated Subsidiaries
Land	\$ 3,164,497	\$ 11,607,347
Buildings and building improvements	14,495,282	30,119,165
Leasehold costs and improvements	23,880,193	24,423,387
Store fixtures and equipment	33,111,583	35,924,588
Improvements in progress	3,812,710	3,940,270
Total	78,464,265	106,014,757
Less accumulated depreciation and amortization	36,434,075	45,909,502
	<u>\$42,030,190</u>	<u>\$ 60,105,255</u>

Depreciation and amortization for financial accounting purposes have been computed on a straight-line basis principally over the estimated useful lives of the assets.

Property and equipment include real estate in the net amount of approximately \$2,754,000, principally store properties, subject to mortgages not assumed which at January 31, 1970 amounted to approximately \$1,914,000. The Company is not liable on the mortgage notes. Two liquidated real estate subsidiaries remain liable on the mortgages.

H — LONG TERM DEBT (other than mortgages not assumed)

Long term debt includes \$25,000,000 of 6 $\frac{1}{4}$ % Promissory Notes due annually in installments of \$800,000 from 1971 through 1975, inclusive, and \$1,750,000 thereafter until maturity in 1987. The balance of long term debt bearing interest at rates from 5% to 6% is payable \$154,000 in 1970 and serially thereafter until 1978.

Underlying loan agreements with respect to notes payable provide, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of the Company's common stock, and (3) restrictions on the payment of cash dividends on the Company's common stock (approximately \$4,100,000 is available for the payment of dividends).

The long-term debt of real estate subsidiaries consisting of mortgages (interest rates from 4 $\frac{1}{4}$ % to 6 $\frac{1}{2}$ %) is payable \$836,000 in 1970 and in varying annual amounts until 1990.

I — RESERVES

Reserves have been provided for the following:

	This Year	Last Year
Deferred compensation	\$1,788,713	\$1,668,689
Real estate dispositions	1,370,995	1,370,995
Termination of store operations	214,046	314,145
Pension	1,760,915	892,626
Other	179,590	179,590
	<u>\$5,314,259</u>	<u>\$4,426,045</u>

J — PENSION PLANS

The Company's non-contributory pension plans (as amended) cover, generally, employees with fifteen years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement generally at age 65 with no vesting of benefits. Although the Company does not presently contemplate funding these plans, it may do so in the future. The Company may amend, modify or terminate the plans in whole or in part at any time.

Annual amounts are provided, on the accrual basis, under these plans based on actuarial estimates of current service costs and amortization of prior service costs over thirty years. For this year the amount charged to income was approximately \$1,620,000. Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits, as this term is defined in Opinion 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants, would amount to approximately \$9,437,000.

K — LEASES AND OTHER COMMENTS

The minimum annual rentals payable on real property leased by the Company and its subsidiaries under leases expiring more than three years from January 31, 1970 are as follows:

- (1) Company and Retail Subsidiaries—approximately \$1,800,000 under leases with real estate subsidiaries and approximately \$9,900,000 under leases with others (including \$260,000 with its parent, Bankers Securities Corporation).
- (2) Real Estate Subsidiaries—approximately \$200,000 (of which approximately \$160,000 has been guaranteed by the Company and of which \$150,000 pertains to properties leased to the Company).

The cost of goods sold, buying and occupancy expenses were \$275,034,902 and selling, general and administrative expenses and provision for doubtful accounts were \$88,642,858.

S. D. LEIDESDORF & CO.
Certified Public Accountants
New York, N. Y.

To the Board of Directors
City Stores Company
New York, N. Y.

We have examined the consolidated statement of financial condition of City Stores Company and consolidated subsidiaries (excluding City Stores Credit Corporation) and the consolidated statement of financial condition of City Stores Company and Retail Subsidiaries (excluding real estate subsidiaries and City Stores Credit Corporation) as at January 31, 1970, the related consolidated statements of income and income reinvested in business for City Stores Company and subsidiaries for the year (52 weeks) then ended and the combined summary of net assets of the unconsolidated real estate subsidiaries as at January 31, 1970. We have also examined the statement of financial condition of City Stores Credit Corporation as at January 31, 1970, and the related statements of income and income reinvested in business for the year (52 weeks) then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly (1) the consolidated financial position of City Stores Company and consolidated subsidiaries and of City Stores Company and Retail Subsidiaries at January 31, 1970, and the consolidated results of operations of City Stores Company and subsidiaries for the year (52 weeks) then ended and (2) the financial position of City Stores Credit Corporation and the combined net assets of the unconsolidated real estate subsidiaries at January 31, 1970, and the results of operations of City Stores Credit Corporation for the year (52 weeks) then ended, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

New York, N. Y.
April 10, 1970

Historical Comparison

	January 31, 1970	February 1, 1969	February 3, 1968*	January 28, 1967	January 29, 1966
Operations					
Sales	\$380,384,000	\$373,742,000	\$372,109,000	\$355,402,000	\$335,577,000
Index of sales	113	111	111	106	100
Income before items shown below	6,567,000	7,504,000	7,932,000	10,373,000	8,405,000
Federal income taxes	3,000,000	3,835,000	3,108,000	4,770,000	3,980,000
Income before extraordinary item	3,567,000	3,669,000	4,824,000	5,603,000	4,425,000
Extraordinary item, net of taxes	852,000	—	—	—	—
Net income	2,715,000	3,669,000	4,824,000	5,603,000	4,425,000
Per share of common stock:					
Income before extraordinary item ...	1.14	1.23	1.62	1.89	1.50
Extraordinary item, net of taxes	.28	—	—	—	—
Net income	.86	1.23	1.62	1.89	1.50
Dividends					
Common stock	1,232,784	300,451	742,915	—	—
Per share	.40	0.10	0.25	—	—
Financial					
Working capital					
City Stores Company and Retail Subsidiaries	58,183,000	66,698,000	56,879,000	52,719,000	54,005,000
Current ratio	2.3	2.4	2.3	2.3	2.4
City Stores Company and Consolidated Subsidiaries	57,493,000	66,148,000	56,025,000	51,829,000	53,144,000
Current ratio	2.2	2.3	2.2	2.2	2.3
Accounts receivable—customer— net of receivables sold	79,793,000	79,790,000	78,147,000	76,944,000	46,840,000
Proceeds from financing of receivables .	39,657,000	27,539,000	41,760,000	49,269,000	14,014,000
Inventories	47,408,000	47,154,000	46,240,000	47,144,000	41,278,000
Property and equipment—net					
City Stores Company and Retail Subsidiaries	42,030,000	37,729,000	35,692,000	34,906,000	34,295,000
City Stores Company and Consolidated Subsidiaries	60,105,000	58,990,000	57,134,000	56,379,000	53,051,000
Long term debt, other than mortgages not assumed					
City Stores Company and Retail Subsidiaries	26,133,000	26,347,000	16,561,000	14,544,000	16,530,000
City Stores Company and Consolidated Subsidiaries	38,129,000	42,089,000	32,901,000	31,742,000	28,386,000
Ownership					
Common stock equity	83,335,000	79,099,000	75,419,000	69,802,000	64,156,000
Common stock equity per share	25.54	26.33	25.36	23.54	21.67
Number of common shares outstanding					
Average during year	3,141,953	2,976,933	2,969,767	2,963,444	2,958,000
At end of year	3,263,469	3,004,413	2,973,613	2,965,213	2,960,513

Italics denote negative figures.

*53 weeks.

Department Stores

LIT BROTHERS

J. P. Hansen, President

Pennsylvania:

Philadelphiat
69th Street (Upper Darby)
Northeast Philadelphia
Oregon Avenue (South
Philadelphia)
Lawrence Park†
Morrisville
Willow Grove
Plymouth Meeting
Berkshire Mall (Reading)
Cheltenham*

New Jersey:

Atlantic City
Camden
Echelon*

MAISON BLANCHE

*Isidore Newman, II,
Chairman of Board
Robert I. Sonfield, President*

Louisiana:

New Orleans†
Carrollton
Gentilly
Airline Highway
West Side†
Gentilly Woods
Clearview

RICHARDS

Paul S. Walker, President

Florida:

Miamit
163rd Street†
Cutler Ridge
Palm Springs†
Fort Lauderdale
West Palm Beach
Midway Center (West Miami)*
Hollywood*

LANSBURGH'S

Charles E. Franzke, President

District of Columbia:

Washington†

Maryland:

Langley Park
Rockville*

Virginia:

Shirlington
Tyson's Corner
Springfield*

LOVE MAN'S

John F. Breyer, President

Alabama:

Birmingham†
Montgomery
Huntsville
Western Hills Mall (Fairfield)
West Lake Mall (Bessemer)

LOWENSTEIN'S

Clifford D. Hoehne, President

Tennessee:

Memphist
East
South
Raleigh Springs Mall*

HEARN'S

*Gwilyn R. Thomas,
Executive Head*

New York:

Bronx

R. H. WHITE

Harold A. Broomfield, President

Massachusetts:

Worcester
Leominster

Specialty Stores

FRANKLIN SIMON

Edwin G. Roberts, President

Connecticut:

Milford
Westport
Stamford

Delaware:

Wilmington

District of Columbia:

Washington

Georgia:

Atlanta
Lenox Square
Greenbriar
South De Kalb

Maryland:

Harundale
Mondawmin
Towson
Wheaton
Prince Georges
Montgomery Mall

Massachusetts:

Boston
Natick
Braintree
Burlington

Michigan:

Detroit
Northland
Eastland
Westland
Oakland Mall (Troy)
Southland*

Missouri:

St. Louis-Crestwood
and Northwest Plaza

New Jersey:

East Orange
Eatontown
Hackensack
Haddonfield
Menlo Park
Morristown
Paramus
Wayne

New York:

New York City†
Yonkers
Hicksville
Manhasset
Roosevelt Field
Valley Stream
New Rochelle
Buffalo—downtown
Thruway Plaza
Nanuet (Rockland County)

North Carolina:

Charlotte
South Park*

Ohio:

Cleveland
Swifton
Richmond Mall
Parmatown
Tri-County
Summit Mall

Pennsylvania:

Philadelphia
Germantown
Willow Grove
Plymouth Meeting

Tennessee:

Memphis
Southland

Virginia:

Seven Corners

KLINE'S

James F. Ammons, Jr., President

Missouri:

Kansas City†
Ward Parkway
Antioch

Home Furnishings Stores

W & J SLOANE

Leonard J. Novogrod, President

California:

San Francisco
Los Altos
Sacramento†
Walnut Creek
San Jose
San Mateo†
Northgate (Marin County)

Connecticut:

Milford†
Stamford
Westport†
Hartford
Hamden†

District of Columbia:

Washington†

Georgia:

Atlanta

Maryland:

Bethesda

New Jersey:

Milburn
Ridgewood
Union†
Paramus
Flagship†

New York:

New York City†
Forest Hills†
Garden City
Hempstead†
Manhasset
Riverdale†
White Plains
White Plains†
Hauppauge†

Pennsylvania:

Jenkintown
North Philadelphia†

Texas:

Houston*

Virginia:

Seven Corners
Shirlington†
Alexandria

City Stores Company

Operating a total of 136 stores—

46 department stores —

63 specialty stores

35 home furnishings stores —

in 20 states and the District of Columbia.

†Main downtown store

‡Clearance Centers

*Leases signed; stores to open at
varying times

††Expanded

Directors

GUSTAVE G. AMSTERDAM*
JAMES H. BECKER*
MURRY C. BECKER*
JOHN R. BUNTING, JR.*
BRUCE H. GREENFIELD
J. P. HANSEN
JOSEPH A. W. IGLEHART
LOUIS G. MELCHIOR*
ISIDORE NEWMAN, II*
LEONARD J. NOVOGROD
THOMAS C. PILLION
MAX ROBB*
EDWIN G. ROBERTS
SERGE SEMENENKO*

*Member of Executive Committee

Officers

GUSTAVE G. AMSTERDAM, *Chairman of the Board*
ISIDORE NEWMAN, II, *President*
LOUIS G. MELCHIOR, *Executive Vice President and Treasurer*
JOHN F. BREYER, *Vice President*
J. P. HANSEN, *Vice President*
A. ALFRED LANDISI, *Senior Vice President*
LEONARD J. NOVOGROD, *Vice President*
EDWIN G. ROBERTS, *Vice President*
PAUL S. WALKER, *Vice President*
IRVING J. ZIPIN, *Secretary and General Counsel*
J. KARL FISHBACH, *Corporate Controller and Assistant Treasurer*
DANIEL MANDEL, *Assistant Secretary*

City Stores Company

Corporation Office:

500 Fifth Avenue
New York, N. Y. 10036

New York Buying Office:

Mutual Buying Syndicate, Inc.
11 West 42nd Street
New York, N. Y. 10036

TRANSFER AGENT

The Chase Manhattan Bank, One Chase Manhattan Plaza, New York, N. Y. 10015

CO-TRANSFER AGENT

The First Pennsylvania Banking & Trust Company, 15th & Chestnut Streets,
Philadelphia, Pa. 19101

REGISTRAR

Chemical Bank, 20 Pine Street, New York, N. Y. 10015

COUNSEL

Goodis, Greenfield, Narin & Mann, 1315 Walnut Street, Philadelphia, Pa. 19107

AUDITORS

S. D. Leidesdorf & Co., 125 Park Avenue, New York, N. Y. 10017

Annual Meeting

Wednesday, May 27, 1970 • 11:30 A.M. (E.D.S.T.)
Biltmore Hotel, Madison Avenue at 43rd Street
New York, New York
Biltmore Suite



Maison Blanche's newest 150,000 square foot suburban unit, opened August 6, 1969 in Clearview Shopping Center, Jefferson Parish, in metropolitan New Orleans.